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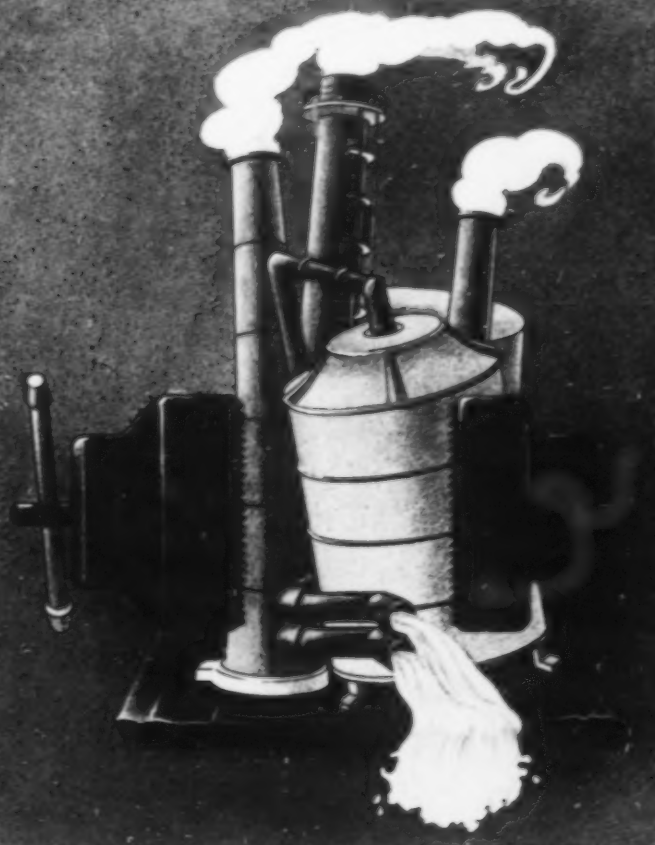
Chevron Tops in Market Share, *NPN* Finds
The Pros and Cons of Carwashes
Arco Move Heats up Restructuring Trend

NPN

National Petroleum News



Will It Be a Watershed Summer?

Squeeze on Supply Options

NATIONAL PETROLEUM NEWS

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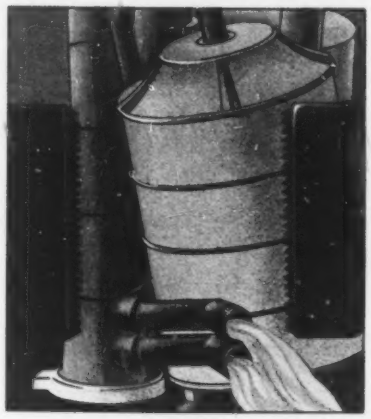


The U.S. refinery squeeze—especially among independents—and general overcapacity this summer are running headlong into product imports and unpredictable pricing. **Page 38**

Cover art by Anne Feiza, Chicago

TRENDS: Arco's sudden marketing withdrawal from the eastern U.S. signals other majors that perhaps they too should restructure and concentrate on key markets . . . or corporate raiders might do it for them. **Page 16**

George Thelen's Food-N-Fuel, St. Paul, Minn., sprung up seven years ago for the same reasons most oil jobbers get into C-stores . . . motor fuel is a natural tie-in. **Page 51**

Carwashes are being rediscovered by majors and some jobbers as a means of competing on gasoline and making money on their own. But one jobber expert says to be careful. **Page 44**

NPN
NATIONAL PETROLEUM NEWS JUNE 1985

Chevron, Texaco '84 Market Share Champs

Bolstered by the gallonage of their megabuck acquisitions last year, Chevron and Texaco skyrocketed from the ranks to become the nation's top gasoline marketers in 1984.

Chevron purchased Gulf Oil for $13.2-billion and Texaco bought Getty Oil for $10.1-billion in two of the upheavals that rattled the industry from top to bottom.

They shouldered aside Exxon, Amoco and Shell—the traditional leaders of recent years—by head-swimming margins. Chevron had a 69.7% increase in volume, and Texaco, 34.2%.

For Chevron, it was a spellbinding affair. It shot up from seventh in 1983 to first in 1984 with a gross gasoline gallonage of 9.6-billion gal. Without the Gulf gallonage, it probably would have been way down in the pack again in 1984. For the record, however, the 9.6-billion gal. it vended in 1984 represents an all-time high for any gasoline marketer in the U.S.

Texaco, which used to be the perennial leader but has been variously No. 4 or No. 5 in recent years, finished up about 1-billion gal. behind Chevron—at 8.7-billion gal. Getty's string of stations added about 2-billion gal. to Texaco's total, or else it too would have been somewhere around its usual position on down the line.

For both of the companies, however, the 1984 glories apparently will be one-shot affairs. Chevron already has spun off Gulf's southeastern properties in keeping with its agreement with Federal Trade Commission. So, this gallonage and probably some other Gulf gasoline volumes will not be available for the California company's 1985 totals. The same holds true for Texaco which, under FTC mandate, spun off Getty's marketing facilities on the East Coast and the Midwest-Midcontinent areas. The Texaco gallonage in 1985 then, should be much lower than 1984.

A surprising aspect of this share-of-market analysis developed by *National Petroleum News* is that it puts Exxon in a different perspective and ranks the company where most people always thought it should be—consistently on top, or very close to it. Exxon was third in 1984 but only because the Chevron/Gulf and Texaco/Getty combinations were too much to overcome. It was No. 1, however, in 1983, 1982, 1981 and 1980. The probability is that it will regain its leadership at the end of this year.

The thing that bothered many people was how Exxon could be the industry's statistical goliath in so many directions and dimensions yet be ranked so poorly in gasoline sales. It would appear then that not all of Exxon's gasoline sales were being recognized and measured so that its totals dropped behind several others, notably Amoco and Shell.

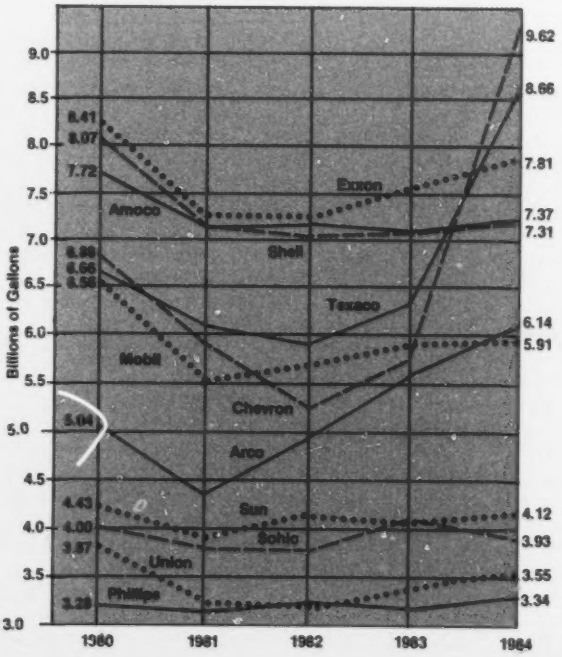
Amoco and Shell, because of the Chevron and Texaco skyrocketing, wound up fourth and fifth in 1984 gasoline volumes. A five-year overview shows, however, that Amoco consistently has been right behind Exxon in recent years and Shell, a close third.

NPN's data are collected from the annual reports of the top oil companies. They are gross gallons—for both on- and off-highway use. But since off-highway consumption of gasoline averages only 3.2% to 3.3% of the gross total, it really isn't enough to have a major impact on the volumes and the standings.

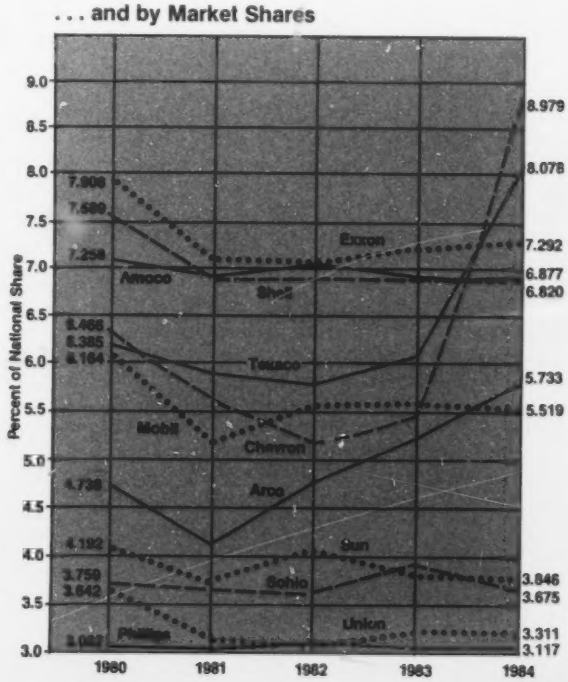
(continued on next page)

THE BIG PICTURE

In Billions of Gallons . . .



. . . and by Market Shares



The Gasoline Market: By Gross Gallonage and Relative Shares for the Top 12 Companies

Company	1984 (Total Sales Equal 107,219,431,000 gal.) Rank	% Mkt. Shr.	(Add 000) Gallonage	% Chng. '84 vs. '83	1983 (Total Sales Equal 104,231,431,000 gal.) Rank	% Mkt. Shr.	(Add 000) Gallonage	% Chng. '83 vs. '82
Chevron (a)	1	8.979%	9,627,240	69.7%	7	5.442%	5,672,100	4.5%
Texaco (b)	2	8.078	8,661,450	34.2	4	6.191	6,453,930	8.5
Exxon	3	7.292	7,818,300	2.4	1	7.427	7,741,650	4.8
Amoco	4	6.877	7,373,730	2.3	2	6.897	7,189,770	(1.7)
Shell	5	6.820	7,312,420	2.6	3	6.839	7,128,450	1.3
Arco	6	5.733	6,147,330	8.7	8	5.427	5,656,770	13.9
Mobil	7	5.519	5,917,380	—	5	5.677	5,917,300	2.1
Sun	8	3.846	4,123,770	2.3	10	3.868	4,031,790	(4.4)
Sohio	9	3.675	3,939,810	(3.7)	9	3.926	4,093,110	9.4
Union	10	3.311	3,550,428	2.1	12	3.336	3,476,844	6.9
Phillips	11	3.117	3,341,940	2.8	11	3.118	3,249,960	(1.9)
Gulf (c)	—	—	—	—	6	5.574	5,810,070	(4.8)
Total	**—**	**63.25%**	**67,813,798**	**(N.C.)**	**—**	**63.73%**	**66,424,840**	**3.1%**

(a) Chevron acquired Gulf in early 1984, thus Chevron's gallonage for 1984 includes 10 months of Gulf gallonage.
(b) Texaco acquired Getty in early 1984, thus Texaco's gallonage for 1984 includes Getty's gallonage for 1984; Getty had volumes of 1.9-billion gal. in 1983; 1.9-billion in 1982; 1.9-billion in 1981 and 2.0-billion in 1980. Getty's gallonage in 1980-83 averaged 1.8% of the national market share.
(c) Gulf was acquired by Chevron in early 1984, and its 1984 gallonage is included in Chevron's.
(N.C.) Data not comparable inasmuch as Texaco's 1984 gallonage included that of Getty, which is not reflected in prior years of 1980-1983.
Sources: Oil company annual reports and statistical supplements, plus special direct reports to *NPN*. Gross gallonage totals for each year are those of Federal Highway Administration except 1984 which is FHA data for 47 states and an *NPN* estimate for the other three. FHA data is for all uses—on and off highway. Since the off-highway consumption has averaged only 3.25% over the past six years, it is not considered significant in the market share ratios.

Gasoline Consumption: On- Vs. Off-Highway use

(billions of gal.)

Year	Highway Use	Off-Highway Use	Total Use	% Chng. Annually	% Off-Highway Use
1984 (a)	103.8	3.4	107.2	4.5%	3.2%
1983	99.4	3.2	102.6	.8	3.1
1982	98.5	3.3	101.8	(1.3)	3.2
1981	99.6	3.5	103.1	(1.6)	3.4
1980	101.2	3.6	104.8	(6.3)	3.4
1979	108.1	3.7	111.8	(3.5)	3.3
1978 (b)	112.2	3.6	115.8	—	3.1

(a) Estimated by *NPN* on basis of Federal Highway Administration data.
(b) Peak year of consumption.
Source: Federal Highway Administration, "Highway Statistics Annual." The totals in this table may vary slightly from other basic FHA tables because of some exclusions and additions.

The gross volumes are what the companies told their shareholders and the federal authorities in Washington were the amounts of gasoline they sold in 1984. They are bottom-line figures which accurately assess a given company's position and rank in the marketplace in gasoline sales.

To obtain the total gasoline sales for the entire industry, *NPN* used the Federal Highway Administration's data, which are based on the tax-paid gasoline sales reports prepared by all of the states and relayed to Washington. This too is an on-highway and off-highway accumulation. So, the figures are justifiably comparable to allow share-of-market percentages to be worked out.

The total sales figures used for the 1980-1983 period are the revised and final figures issued by FHA. The 1984 marketplace total is an estimate by *NPN* based on preliminary FHA reports from 47 states and projections for the three that were missing. Industry sources considered it an "agreeable ball-park figure which can't be too far off the mark."

Besides the positioning of Exxon as the leading gasoline marketer, the *NPN* share-of-market report also includes some other unusual aspects. One is the inclusion for the first time of Standard Oil Co. of Ohio in the top 12 oil companies. Sohio used to be discounted and ignored by some analysts because it had been confined to the state of Ohio. Later, via satellites BP and Boron, it penetrated other markets. The gasoline sales figures, retrospectively, show that it has ranked no worse than 10th over the past five years.

Another interesting sidelight was the fact that the top 12 oil companies marketed close to two out of every three gallons of gasoline sold in recent years. In 1980, the top 12 did have 67% of the national market, but this figure has eroded slowly so that in 1984 it was down to 63.25%. —*J. Richard Shaner*

State Tax Hike Fever Could Ease with Release Of Uncle Sam's Billions

Some $7.2-billion has been released by Congress for Interstate highway repairs and new construction following recent enactment of the long-delayed Interstate Cost Estimate (ICE) legislation. Passage of the bill could stem the growing support in some states for higher gasoline taxes to fund highway refurbishing.

The federal Highway Trust Fund monies had been bottled up in committee for the last year as members of Congress tried to gain special highway projects in their own districts. Lawmakers who stalled release of the funds claimed the projects were necessary to improve local transportation, but critics called the projects classic examples of "pork barrel" politics.

Most of the $7.2-billion will be targeted towards completion of the federal Interstate system. As of September 1970, more than 96% of the system was finished, but stretches in only seven states (Delaware, Nebraska, North Dakota, Rhode Island, South Dakota, Vermont and Wisconsin) were 100% completed.

A large portion of the extra funds for highway construction and repairs has come from the Surface Transportation Assistance Act of 1982, which tacked an extra 5¢ gal. tax on gasoline. The Highway Users Federation, a Washington, D.C.-based group funded by the automobile industry and allied industries, claims the 1982 tax has doubled the amount of highway repairs and new construction in states. **NPN**

it has been doing. "But a large part of it is likely to go toward assets acquisitions—either in many small transactions or possibly a major ($2-billion to $5-billion) purchase," Salomon Brothers says.

The brokerage firm was a bit stronger in Shell's case. It says it expects the full $7-billion to be used for asset acquisitions "including at least one very large purchase in the U.S.," using its domestic subsidiary, Shell Oil Co., as the vehicle to carry it out.

The study assumes continued erosion in the price of crude oil—to $27 in 1985, $25 in 1986 and $24 in 1987. It also anticipates a decline in the dollar rate in 1986 and 1987. *NPN*

Federal Loan Measure, ITC Probe of Imports Good News for Ethanol

President Reagan has signed legislation giving the Department of Energy until Sept. 30 to negotiate loan guarantees for four fuel ethanol plants.

Deadlines for DOE negotiations on two of the projects had already passed last Dec. 31, while negotiations for the other two proposed plants were also set to expire when Reagan approved the extension.

Extensions of the negotiation timetable does not necessarily mean DOE will approve the loan guarantees. Congress, however, has made it clear that it hopes the program will spur ethanol production in the U.S.

The extension involves four proposed ethanol plants: Agri-Fuels Refining, a 35-million-gal./year plant in New Iberia, La.; New England Ethanol Producers, a 25-million-gal./year plant in Auburn, Maine; Minnesota Alcohol Producers, a 20-million-gal./year plant in Mankato, Minn.; and Circle Energy, a 16.5-million-gal./year plant in Blair, Neb.

DOE has already approved 90% construction loan guarantees for two ethanol plants. New Energy Company of Indiana received a $140-million guarantee for a 50-million-gal./year plant in South Bend, Ind., which is scheduled to begin operations this summer. Tennol Inc. received a $72-million guarantee for a 25-million-gal./year plant scheduled for opening in early 1986.

Meanwhile, Brazilian ethanol lost a round to the U.S. International Trade Commission over alleged dumping in the U.S. In what was billed as a "preliminary determination," the ITC unanimously voted to have the Department of Commerce expand its probe of whether Brazil is subsidizing its ethanol industry or selling the product in the U.S. at less than fair market value. Archer Daniels Midland, a major U.S. producer of ethanol, is fighting to have higher tariffs placed on Brazilian ethanol. *NPN*

Sun Starts Cranking out Unleaded 'Muscle' Grade

It's sort of loose-knit and tricky the way the whole thing is set up, but a Sun unit has a 98-octane unleaded gasoline on the market.

The fuel is manufactured primarily for racing cars, but it can be bought at a few retail stations here and there—all you have to do is find them. The price is rather stiff too—$3 or more a gal.

The super-octane gasoline is manufactured at Sun's Marcus Hook refinery by its ARD unit, which used to be the old Sun Technology division before the company was restructured. It is not sold as a Sunoco-branded product but under its own label of Cam 2GT, another refinement of its Cam 2 leaded gasoline, which runs as high as 110- and 115-octane for racing cars.

The high-octane gasoline is sold to a small group of distributors who specialize in servicing racing tracks around the country. Sun, along with Union and a handful of smaller companies, are the only ones who make the super-gasolines for the high-speed racers.

"Once we sell it to the distributors, they can sell the gasoline to anyone they choose," a Sun spokesman said. "It cannot be sold as a Sun product in Sunoco pumps, however. We know some distributors do sell it to some retail stations who promote it as a high-priced specialty fuel at their stations" [*NPN*—Feb '85, p44].

The Sun spokesman said that supplies of the high-octane fuels, leaded or unleaded, are limited because they require very high-cost ingredients, which are not always available. The retail price of $3 or more per gal. isn't likely to whet the appetities of most motorists, either; except for the novelty effect.

Sun thus has no plans to introduce the 98-octane unleaded gasoline into its normal market structures.

Sun also said that its Cam 2, which has a lead content of 4 grams/gal., will be withdrawn from all retail markets July 1 when the Environmental Protection Agency's new phasedown rules go into effect. *NPN*

(continued on page 34)

First-Quarter Earnings Slump, But Most Made Some Money

	Corporate (millions)			Downstream (millions)		
Company	1st Qtr. 1985	1st Qtr. 1984	% Change	1st Qtr. 1985	1st Qtr. 1984	% Change
Exxon	$1,325.0	$1,475.0	(10.2%)	$13.0	$16.0	(18.8%)
Mobil	320.0	380.0	(15.8)	(11.0)	(11.0)	—
Texaco	320.0	321.0	(0.03)	(27.0)(b)	(38.0)(b)	—
Chevron	354.0	378.0	(6.3)	(25.0)	(45.0)	—
Amoco (a)	473.0	594.0	(20.4)	2.0	22.0	(90.9)
Shell	296.0	326.0	(9.2)	8.0	34.0	(76.4)
Arco	352.0	395.0	(10.9)	35.0	30.0	16.7
Tenneco	63.0	155.0	(59.4)	NA	NA	NA
Sohio	343.0	381.0	(10.0)	52.0(b)	64.0(b)	18.8
Phillips	106.0	193.0	(45.1)	(6)	28	—
Sun	127.0	143.0	(11.2)	20.0	13.0	53.8
Unocal	180.7	180.1	(0.03)	NA	NA	NA
Amer. Hess	37.2	88.4	(57.9)	NA	NA	NA
Dia. Shamrock	59.1	59.6	(0.08)	15.3	8.8	74
Ashland (c)	14.1	5.0	182.0	15.9	5.1	212
Kerr-McGee	28.4	40.3	(29.5)	(13.7)	1.4	—
Pennzoil	57.4	69.2	(17.1)	NA	NA	NA
Murphy	20.2	26.3	(23.2)	2.0	3.6	(44.4)
Amer. Petrofina	(2.7)	10.3	—	NA	NA	NA
Southland	1.0	14.0	(93.0)	NA	NA	NA

(a) Formerly Standard of Indiana.
(b) Downstream earnings are worldwide.
(c) Ashland's are 2nd quarter; fiscal ends 9/30; first half are $40.0 versus $32.2 for an increase of 24.2%.

First-quarter earnings for top oil companies were generally on the soft side, reflecting the excess supply and low prices that prevailed during that period.

Some were close to the break-even point, notably Texaco, Unocal and Diamond Shamrock. But others had losses compared with last year ranging up to Tenneco's 59.4%. Phillips, which twice escaped the clutches of raiders, posted a loss of 45% and said much of it reflected the high cost of fighting the wars.

In the downstream refining-marketing world, Arco, Sohio and Sun were among the few to emerge with higher nets than the first quarter of 1983. *NPN*